Index

Added to a page number 'f' denotes a figure and 't' denotes a table.

80-20 rule, CPA 93

ABC see activity-based costing ABM see activity-based management absorption costing 87-8 accounting information decision-making 15 nature of 2, 3f performance measurement 14 in planning and control framework 2-3, 4f strategic cost analysis 28 see also management accounting information systems accounting procedures, CPA 92-3 acquisitions, business failure 26, 268 activity analysis, target costing 131 activity definition, ABC 116 activity driver selection, ABC 116 activity-based costing (ABC) 8, 86 advantages 115 allocation of overheads 114 case study 117-30 cost pools 113 essential characteristic 112 extension into ABM 132 fundamental elements 113 operationalizing 115-17 organizational benefits 114 product profitability 88-9 research 10 service sector 114-15 tracking marketing costs 113 activity-based management (ABM) 132 bottleneck problems, case study 152-9 business process re-engineering 133-4 costs 132 drivers of 132t innovation 139-41 operationalizing 144-5 quality 134-5 theory of constraints 136-7 case study 137-9 throughput accounting, case study 146-9 time 135-6 trade off, innovation and 141-4 adjustments bias in heuristic methods 258 to accounting numbers 280-3 advance revenue, EVA adjustments 281 allocation, overhead costs 6 Altman model 266 Alumina PLC, post-audit investigation 77-85, 270 anchoring, bias in heuristic methods 258 appraisal costs 134-5 Ashby Furnishings, job shop scheduling 150, 151f, 152 asset reduction 26, 268 attitudes of employees

quality control 164 service quality 185 audit processes, accounting 183 Australia, not-for-profit organizations 252 authentication problems, internet 253 autocorrelation, time series data 261-2 availability, bias in heuristic methods 258 backlogs 75-6 balance of payments, monitoring 47 balanced portfolios 42 optimum strategy, case study 42-5 balanced scorecard 8, 60, 63, 87, 238-40 case study 240-9 research 12-13 banking sector, customer profitability 93 BCG portfolio matrix 40-5 behavioural decision theory, management choices 59 benchmarking identifying best practice 18-19, 185 improvements in MACS 53-7 BET see 'break even time' measure biased decisions, heuristic methods 258 Bolehall Manor Motors, balanced scorecard case study 240-9 Boston Consulting Group matrix see BCG portfolio matrix bottlenecks case study 152-9 focus on 136 theory of constraints 136-7 throughput accounting 145 Box-Jenkins procedure 261 BPR see business process re-engineering Bradford Funerals, performance and internal controls 195-206 brainstorming, operationalizing TQM 172, 173 brand names 58 'break even time' measure 140 buffer stocks 163 business. Dunlop's Ten Commandments 283 - 4business change, globalization 8, 13 business development 134 business failure causes of 25-6 definitions 265 financial modelling 24-5 models to identify takeover victims 27 recovery strategies 26, 267-8 symptoms 22-3 business maintenance 134 business process re-engineering 133-4, 143 buyer power 28 Cable Technology, risk analysis 271-5

Cambridge Business Conferences, strategic cost analysis 29–35



internal control 190 link between MACS and 191 see also strategic goals corporate strategies arising from BCG matrix 42 MACS 194-5 strategic management 58 successful innovation 73-4 corporate turnaround 267-8 correlation coefficient matrix 262 cost behaviour 108-12 cost drivers 15-17 ABC allocation of 113f cost leadership strategy 27, 28, 194 cost of quality classification 134-5 manufacturing environment 170 cost reduction strategies 25, 130-1, 142, 267 cost structure, business failure 25, 267 cost-quality trade-offs 142 costing, ABC implementation 116 costs activity-based management 132 different emphases attached to 75 innovation and ABM trade-off 141 manufacturing company success 61 non-financial measures 133t CPA see customer profitability analysis creative accounting, business failure 22 creative thinking 65-8 creativity, in management accounting 64-5 critical success factors, manufacturing companies 61-2 CRM see customer relationship management cross-section data 256, 262 Crustybake Pies, throughput case study 146-9 culture see innovation culture; organizational culture customer development 134 customer equity management (CEM) 105 customer focus employee empowerment 207 implementation of TQM 178 SMA process 19 target costing 131 customer loyalty 104, 105, 106 customer profitability analysis (CPA) 89-103 customer relationship management (CRM)103-7 customer satisfaction 103, 104, 105, 106, 169 customer service, manufacturing company success 61 customer value 103 customers NFI measures 228t operationalizing TQM decision-making requirements 172-3 ranking importance 171-2 survey of views 175-6 performance measurement 61 data analysis 2 data collection ABC systems 114 market analysis 45 data warehousing, reasons for embracing 253-4 databases, overcoming quality paralysis 179 de Bono problem 66-7 decentralization, of responsibilities 8 decision trees, risk analysis 270-5 decision-making

accounting information 15



decision-making (cont.) customer requirements, TQM 173-5 data simplification 59 example of flawed process 68, 69f management accounting research 11 under uncertainty 59 see also strategic decisions decline stage, product life cycle 40 defects, business failure 22 defender-cost leader-conservative 73-4 defensive capability, SWOT analysis 37 deferred tax, EVA adjustments 282 delivery policy, CPA 92 Delphi methods 256, 257 demand matching 28 Deming, W. Edwards 169 demographic factors, SWOT analysis 49 depreciation charges, EVA adjustments 281 Derrick's Ice-Cream, CPA case study 94-103 design changes, cost savings 131 diamond factors, innovation and competitive advantage 36-7 discriminant analysis 262-8 diversification 37-8 'do nothing' strategy 18 documentation, procedures and standards 183 dog companies 42, 43 drivers, of ABM 132t drum-buffer-rope mechanism 137 Dunlop's Ten Commandments 283-4 dynamic multidimensional performance model 62

economic factors. SWOT analysis 46-7 economic order quantity principles 163 economic risk indicators 46-7 economic theory, failure prediction 266 economic value added (EVA) 278-84 economies of scale, competitive advantage 35 economy, organizational performance 225 effectiveness, organizational performance 225 efficiency, organizational performance 225 electronic commerce strategies 253 employees empowerment 206-7 case study 207-23 NFI measures 228t performance measurement 61 quality concepts 170 see also attitudes of employees; total employee involvement employment, not-for-profit sector 251-2 environmental analysis see social and environmental SWOT analysis environmental prediction models 49 environmental pressure groups, awareness of 47 EVA see economic value added evaluation 75-85 exchange rate changes, awareness of 46 expert groups, Delphi methods 257 exponential smoothing 260 external signs, business failure 22-3 extraordinary losses/gains, EVA adjustments 281 factor availability, competitive advantage 36.37 failed acquisitions, business failure 26 failure internal control 193 management accounting systems 224-5

see also business failure

failure costs 135

failure modelling 73 failure prediction 26, 264-6 FCFS see 'first come, first served' rule feedback loop, SMA process 17f, 19 financial accounting symptoms, business failure 22 financial areas. key 23 financial control, business failure 25, 267 financial modelling 255-84 Delphi methods 257 discriminant analysis 262-8 distressed companies 24-5 forecasting methods 256-7 heuristic methods 257-8 probabilistic simulation 258-9 regression analysis 261-2 risk analysis 270-5 case study 275-8 risk measurement 268-70 time series analysis 259-61 value-based management 278-84 financial performance five dimensions framework 61 SWOT analysis 21-37 see also shareholder value financial policy weakness, business failure 26.268 financial ratio models 2 financial reward, worker motivation 191-2 financial variables, determining 23 firm readiness analysis 73 'first come, first served' rule 150, 151f five dimensions framework, financial performance 61 five-stage analytical process, problemsolving 17-19 flexibility, manufacturing company success 61 Ford, Henry 192 forecasting methods 256-84 foreign debt, monitoring 47 formal reports, customer surveys 175-6 fuzzy logic 271

gains, EVA adjustments 281 Gantt chart, job scheduling 150, 151f globalization, business change 8, 13 'goal achievement' modelling 250 goal conflict, potential for 5 goal congruence decision usefulness of information 5 human resources model 192 service quality 185 goals performance measurement 61 see also corporate goals; motivation goals; strategic goals good ideas, judging 72 goodwill, EVA adjustments 282 government intervention, competitive advantage 35 government policy changes, SWOT analysis 46, 47 growth stage, product life cycle 39 Harvard Business Review 9 Harvey-Harris stores, employee empowerment 207-23 Harvey-Jones approach, problem-solving 17-19 health and safety legislation 48

heuristic methods forecasting 256, 257–8 job shop scheduling 150–2 high cost structure, business failure 25, 267 historic information, limited usefulness of 3 historical development, management accounting 7–9 home market, competitive advantage 36 horizontal integration 37–8 human factors, data accuracy and manipulation 76 human relations movement 192–3 human resources movement 12, 192 hypothesis testing, problem-solving 18, 19 hypothetical observations 258

ideas

generation of 70 judging good 72 reactions of those generating 71-2 screening systems 71-2 sourcing outside the organization 71 implementation, target costing 131 implementation failures, CRM 104 implementing solutions stage, problemsolving 18, 19 improvement techniques 144 'in control', process systems 110 inability/inflexibility, internal control failure 193 inadequate financial control, business failure 25, 267 industrial revolution 7 industry leaders, common qualities 70 industry leadership, BCG portfolio matrix 40-5 information performance measurement 61 product costs 87 sources, management accounting 14 see also accounting information; public information innovation 139-41 activity-based management trade-off 141-4 factors facilitating 36-7 innovation culture, developing an 68-74 input, NFI measures 227t intangible assets customer equity 105 organizational performance 107 integration, bias in heuristic methods 258 integration issues, Internet 253 integrity see lack of integrity intensity of rivalry 28 interdependent events 111-12, 136 interest rate changes, awareness of 46 internal control see strategic internal control Internet, challenges for management accounting 253 introduction stage, product life cycle 38-9 inventions, emergence of 70 inventories, value-added management 163 inventory holding, CPA 93 investment decisions appraisal of quality of 76 evaluation 270 post-audit case study 77-85 Italian shoe industry, competitive advantage 36 Japanese goods, reputation of 168 job cards 75 job queuing 150 job shop scheduling (JSS) 149-52

just-in-time (JIT) 144, 162-3, 164

labour, accounting for 226 labour costs, competitive advantage 35 lack of integrity, internal control failure 193 lack of marketing effort, business failure 25-6, 267 leadership role 20t service quality 185 see also industry leadership leases, EVA adjustments 282 legal factors, SWOT analysis 48 licences, issuing of new 48 Lincoln Furniture, ABM case study 152-9 linear discriminant analysis 262-8 logistic regression 263-4 losses, EVA adjustments 281 lost opportunities, balancing against misallocated resources 72 low labour costs, competitive advantage 35 lowest price tenders, abandonment 163 machine idle time 150 macroeconomic factors, competitive advantage 35 maintenance function, measurement issue 75 management accounting creativity in 64 deficiencies in 1-6 function dimensions of 182t process for reviewing 171f historical development 7-9 information sources 14 quality see total quality management research 9-13 strategy alternatives 64-85 see also strategic management accounting management accounting control systems (MACS) corporate strategy 194-5 goals 190 innovation and inappropriateness of 139 internal control elements of 191 failures 193 technological innovation, changes necessitated by 193 see also strategic internal control management accounting information systems balanced scorecard see balanced scorecard challenges of technological innovation 253 - 4comprehensibility 174 congruence 174 improvements from benchmarking 53-7 NFIs see non-financial indicators not-for-profit sector, measurement challenges 250-2 relevance 14, 173 timeliness 174-5 see also accounting information management activity, by role 20t management fraud, business failure 22 management issues, management accounting research 11-12 management policies, competitive advantage 35 managers, and TQM overcoming organizational inertia 179 surveying expectations of accounting function 172





manufacturing companies critical success factors 61-2 design changes and cost savings 131 manufacturing environments changes in 8 cost of quality 170 total quality management in 169 market SWOT analysis 37-45 market-based assets, shareholder value 106-7 marketing effort, business failure 25-6, 267 markets NFI measures 228t successful innovation 73 see also home market; niche marketing mathematical relationships, cost behaviour 109 maturity stage, product life cycle 39 Mediterranean restaurant example, ABC 88f Mercian Dry Cleaners, TEI case study 186-90 misallocated resources, balancing against lost opportunities 72 mistakes business failure 22 learning from 70 models to identify takeover victims 27 see also failure modelling; financial modelling Monte Carlo methods 258, 271 motivation, managerial approaches 191-3 motivation goals, features contributing to 191 multi-voting technique, operationalizing TQM 170-2, 173 multicollinearity, cross-section data 262 multivariate models 266 newcomers, threat of entry by 28, 37 NFIs see non-financial indicators niche marketing 27, 28 nominal group technique 65-8 non-accounting disciplines, recognition of importance 8 non-financial indicators (NFIs) accounting information systems 174, 224 - 8case study 229-37 corporate goals 15-17 innovation 139-40 matrix of 227-8 non-financial measures of cost 133t of innovation 140t of quality 135t of time 136t non-financial sources, information 14 non-value-adding activities 15, 16f not-for-profit sector, measurement challenges 250-2 objectives internal control failure 193 performance measurements 19-20 offensive predictability, SWOT analysis 37 operation smoothing 28 operational strategy, consumer demand 28 ordinary least-squares (OLS) method 261-2 organizational change business process re-engineering 133-4 research 10-11

organizational conflict, management of strategic assets 59 organizational control, innovation 74 organizational culture implementation of TQM 178 internal control failure 193 organizational innovation 144 organizational performance 107 profitability 70 strategic management 58 organizational performance intangible assets 107 three Es 161, 225 organizational strategies see corporate strategies organizational structure, research 11 Orion Signalling, TOC case study 137-9 outcomes, consistency with strategic goals 19 output quality, measuring 225 over-optimism, business failure 22 overhead costs allocated to activity-based cost pools 113 allocation to product costs 6, 88 cost accounting systems 3 patents, issuing of new 48 people organizational success 62 quality improvement 179-80 perceived risk of purchase, reducing 39 performance goals, features contributing to 191 performance measurement alternatives 60-3 benchmarking 53-7 customer relations management 106-7 deficiencies in 1-6 information sources 14 not-for-profit sector 250-3 objectives 19-20 resource-based view of the firm 57-60 situation audit see SWOT strategic management accounting 15-19 see also balanced scorecard; financial modelling; non-financial measures performance prism 62-3 policy and procedures 183 political conflict, SWOT analyses 48 political factors, SWOT analysis 47-8 poor management, business failure 25, 267 population changes, SWOT analyses 49 positive motivation, management control devices 195 post-audit investigations 76-7, 270 case study 77-85 post-implementation reviews 76 PRAISE system 176-8, 179, 183 predictive ability, failure prediction models 265 - 6predictive process models 108-9 preparation, quality improvement 180 prevention costs 134 price inflation, risk analysis 271-5 pricing decisions, ABC case study 117-30 probabilistic simulation 256, 258-9 problem-solving five stage analytical process 17-19 requirements for 68 problems, quality improvement 180 procedures, writing 183 process industry, benchmarking field study 54-7 process mapping 134 process models, predictive 108-9 process performance, measuring 16f process specification, operationalizing ABC 116 processes performance measurement 61

Index



quality improvement 180 product development 12 product failures 72 product liabilities 48 product life cycle 38-40 product profitability 87-9 product quality, measuring 225 product-mix problems 145 products activity-based costing 113f differentiating and promoting 27 identifying future successful 73 NFI measures 227t profitability customer satisfaction and loyalty 105, 106 organizational culture 70 see also customer profitability analysis; product profitability project evaluation pitfalls 270 project lead time, need for delay analysis 149 project-company fit analysis 73 prospector-differentiator-entrepreneur 73, 74 provisions, EVA adjustments 281 public information, SWOT analyses 47 published accounts, problem-solving 17, 18 purchase-price variances 163 purchasing patterns, CPA 92 qualitative data 256 qualities, industry leaders 70 quality innovation and ABM trade-off 142-3 manufacturing company success 61 see also cost of quality quality assurance 169 quality control 169 value-added management 164 quality management 169 see also total quality management quality manuals 182 quantitative data 256 'question mark' companies 42, 44 queuing theory 136 random fluctuations, time series analysis 259 random variation, in systems 109-12 ratio variables, failure prediction 264-5

RAVE Holdings, activity-based costing 117-30 RBV see resource-based view (RBV) of the firm re-engineering, defined 133 recovery strategies 26, 267-8 regression analysis 261-2 regulations, imposition of new 47 rejuvenation stage, product life cycle 40 relevance accounting information systems 14, 173 management accounting research 9 relevance-type failure 224 representativeness, bias in heuristic methods 258 research failure prediction models 26 management accounting 9-13 not-for-profit sector 252 research and development costs, EVA adjustments 281 reserves, EVA adjustments 281 residual income 278 resource management, manufacturing company success 61 resource-based view (RBV) of the firm 57-60 'return on capital' system 278

reward systems 192-3 risk analysis 270-5 case study 275-8 risk measurement 268-70 risk-seeking behaviours 59 rivalrv competitive advantage 36-7 intensity of 28 scheduling see job shop scheduling scientific management 191-2 screening systems, for ideas 71-2 seasonal factors, time series analysis 259 selected ideas, nominal group technique 65 self-interested manipulation 75 seller power 28 service quality, critical dimensions 185, 251 service sector ABC methodology 114-15 measurement in 250-1 **TOM 207** service-cost differences, analysis 90 service-profit chain 106 SERVQUAL 251 set-up measures 145 seven Cs, strategic management 58-9 shareholder value customer equity 105 customer relations management 103 Dunlap's Ten Commandments 283-4 economic value added 278-9, 282 market-based assets 106-7 shop floor stage, problem-solving 17 short-term competitive advantage 60 short-term vulnerability, reducing 27 short-termism balanced scorecard as means of overcoming 238 business process re-engineering 133 shortest operating time (for entire job) first 150, 151 shortest operating time (for first processing operation) first 151 situation audit see SWOT analysis slow product take-up, factors contributing to 39 SMA see strategic management accounting small business, failure see business failure smoothing methods 260-1 social conflict, SWOT analyses 48 social and environmental SWOT analysis 45-53 SOT see shortest operating time SPAMSOAP mnemonic 191 specification changes, cost saving 131 spreadsheet software 268, 269 stakeholder contribution 62, 63 stakeholder satisfaction 62. 63 stakeholder value 62 standard working methods 183 star companies 41-2, 44 statistical distributions, variations 110 statistical software 261 strategic alignment, management control devices 195 strategic assets, competitive advantage 59 strategic cost analysis 28 case study 29-35 strategic decisions areas requiring 15 financial accounting numbers 3 see also decision-making



strategic goals allocation of overheads 6 feedback loop 19 non-financial indicators 15-17 see also corporate goals strategic internal control 190-5 case study 195-206 see also management accounting control systems strategic management RBV approach 60 seven Cs 58-9 strategic management accounting 15-19 framework for 36f see also activity-based costing; balanced scorecard; target costing; theory of constraints; total quality management; value-added management sub-optimal bias 59 subcontracting 28 subsidiaries, market analysis of 40-5 substitute products, threat of 28 success dimensions framework 62 supplier relationships 163 supply chain management BPR 134 research 12 support industries, competitive advantage 36 sustained competitive advantage 60 SWOT analysis 20-1 financial performance 21-37 market 37-45 social and environmental 45-53 tableau de bord 60-1 Taffler (Z-score) model 24, 266 takeover victims, models to identify 27 target costing 19-20, 86, 130-1 Taylor, F.W. 191-2 team ideas, nominal group technique 65 team member suggestions, nominal group technique 65 teamwork 144, 192-3 technological change, manufacturing environments 8 technological factors, SWOT analysis 48-9 technological innovation challenges of 253-4 changes in control systems 193 TEI see total employee involvement testing hypothesis stage, problem-solving 18, 19 theory of constraints 87, 136-7 case study 137-9 thinking aids, to facilitate creativity 64-5 THORN EMI, balanced portfolio strategy 42-5 threat of entry by newcomers 28, 37 of substitute products 28 three Es organizational performance 161, 25 service sector 251 three-point action plan, quality improvement 180-1 throughput accounting 145 throughput implementations 137 throughput time focus on 136 need for delay analysis 149 time dimension ABM 135-6 operationalizing 144-5

trade-off between innovation and 144 time series analysis 256, 259-61 time series data 256, 261-2 time trends, time series analysis 259 time-horizon reference points, different 75 timeliness accounting information systems 174-5 management accounting research 9 timing, of failure 265 TOC see theory of constraints top man stage, problem-solving 17, 18 total employee involvement (TEI) 184-5 case study 186-90 total quality management (TQM) 86, 168-70 control 181-4 implementation criticisms 206-7 operationalizing 170-8 overcoming total quality paralysis 179-81 reasons for failing business 142-3 total employee involvement 184-5 case study 186-90 total quality service (TQS) 207 trade cycles, time series analysis 259 training implementation of TQM 179 operationalizing ABC 115-16 service quality 185 uncertainty, management of strategic assets 59 unit-weighted models 24 univariate models 266 unprofitable customers 90 use-type failure 224 value-added management (VAM) 87, 160-2 case study 165-7 inventories 163 just-in-time 162-3 operationalizing 164-5 quality control 164 supplier relationships 163 value-adding activities 15, 16f value-based management 278-84 vertical integration 37-8 wage-cost inflation, risk analysis 271-5 waste reduction, TQM 181 weighted cost of capital (WACC) 279-80 weightings, financial variables 23-4, 109 Westlake Printing, SWOT analysis 49-53 Whitelaw Transport, NFIs case study 229-37 work performance measures, non-financial 227t working capital reduction, as recovery strategy 26 Z-score (Taffler) model 24, 266 zero-defect policy 163